



RSA-1 Deferred Compensation Plan



Member Handbook



The Retirement
Systems of
Alabama

Contact RSA-1

Phone

877-517-0020

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877-517-0021

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Email

rsainfo@rsa-al.gov

When sending an email, please include your full name, employer, home mailing address, and daytime phone number.

Mail

The RSA-1 Deferred Compensation Plan

P.O. Box 302150

Montgomery, AL 36130-2150

Web site

www.rsa-al.gov

Building Location

201 South Union Street

Montgomery, Alabama

Request a Presentation

Field Services Division

877-517-0020

Business Hours

8:00 am - 5:00 pm

Monday - Friday

Please provide your full name and address on all faxes and letters.

Cover photos (from left to right): Renaissance Montgomery Hotel & Spa at the Convention Center, Montgomery; Silver Lakes, Anniston/Gadsden; RSA Pavilion Park, Montgomery; Highland Oaks, Dothan

2008

RSA-1 Member Handbook

Introduction

The Retirement Systems of Alabama (RSA) is pleased to provide you with the RSA-1 Deferred Compensation Plan Member Handbook. This handbook is an important part of our commitment to provide our members and anyone eligible for RSA-1 with valuable information that will assist them with planning their retirement needs. The majority of people working today expect their retirement income to come from three sources: their pension plan, Social Security, and personal savings. With experts estimating that a person will require between 70 and 80 percent of his or her preretirement income, increasing your personal savings is a good retirement strategy to help supplement your retirement income.

One way for public employees in Alabama to increase their personal savings and add to their financial security is by investing in an Internal Revenue Code Section 457 Deferred Compensation Plan like RSA-1. RSA-1 offers an easy and flexible way to save for retirement through payroll deduction while deferring taxes today. Please read this Member Handbook and contact RSA-1 with any questions you may have about securing a better future with the RSA-1 Deferred Compensation Plan.

The information in this handbook is based on Section 457 of the Internal Revenue Code of the United States and is authorized by §36-27A-1, et. seq., Code of Alabama 1975. This handbook is not intended as a substitute for the Internal Revenue Code nor will its interpretation prevail should a conflict arise between its content and Section 457 of the Internal Revenue Code. Do not rely solely upon the information provided in this handbook to make any decision regarding enrollment in RSA-1, but contact RSA-1 directly with any questions you may have.

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About RSA-1

Establishment of RSA-1

RSA-1 is an eligible deferred compensation plan as defined by Section 457 of the Internal Revenue Code of the United States. The plan is authorized by §36-27A-1, et. seq., *Code of Alabama 1975*, as amended. Under this deferred compensation plan, a public employee may elect to defer receipt of a portion of his or her salary until a later determined date, usually at retirement or other termination of service. Because receipt of the income is deferred, the deferred income is not included in the employee's current federal or state of Alabama gross taxable income.

The deferred income is paid into the RSA-1 Deferred Compensation Plan and invested for the employee's benefit. Investment earnings are accumulated in the fund and like the deferred income, are not subject to federal or state of Alabama income taxation until distributed to the employee. Deferred income and the investment earnings are held in the participant's account for the exclusive benefit of the plan participants and their beneficiaries.

No Fees!

Unlike other funds, there are **no** administrative, membership, investment, transaction, sales or commission fees for participating in the RSA-1 Deferred Compensation Plan. All the money you defer and all investment earnings are placed into your account and invested by RSA-1.

PEIRAF Board of Control

RSA-1 is administered by the Secretary-Treasurer of the Employees' Retirement System under the supervision and direction of the PEIRAF Board of Control, which is composed of members of the investment committees of the Teachers' and Employees' Boards of Control. This Board is authorized to make the rules and regulations governing RSA-1 in conformance with the requirements of the Internal Revenue Code.

Administrative Cost

The administrative cost for the operation of RSA-1 is provided from the expenses of the Employees' (ERS) and Teachers' (TRS) Retirement Systems. No additional state funds will be used to administer RSA-1. §36-27A-7, *Code of Alabama 1975*, as amended.

Visit the RSA Web Site (www.rsa-al.gov)

RSA-1 strongly encourages its members and member agencies to browse this user-friendly site because of the tremendous amount of useful information and interactive tools available.

What you can find:

- ◆ RSA-1 policy changes
- ◆ 12-month historical returns
- ◆ Investment option information
- ◆ Monthly earnings for RSA-1
- ◆ Asset allocation
- ◆ Publications and forms
- ◆ Legislation affecting the RSA and RSA-1
- ◆ Retirement benefit and DROP calculators
- ◆ Retirement planning information
- ◆ Retiree Information

Map and Directions

From the West

Follow Highway 80 to I-65. Follow I-65 North to Montgomery. Approaching Montgomery, stay in the right-hand lane and exit onto I-85 North to Atlanta. Continue in the right-hand lane; then take the first exit, which is the Court Street exit. Stay on the service road until you reach Union Street. Turn left on Union Street. Continue on Union Street through two traffic lights. The RSA Headquarters is on the right side of Union Street before Adams Avenue. Members may park in the open lot in front of the parking deck.

From the East

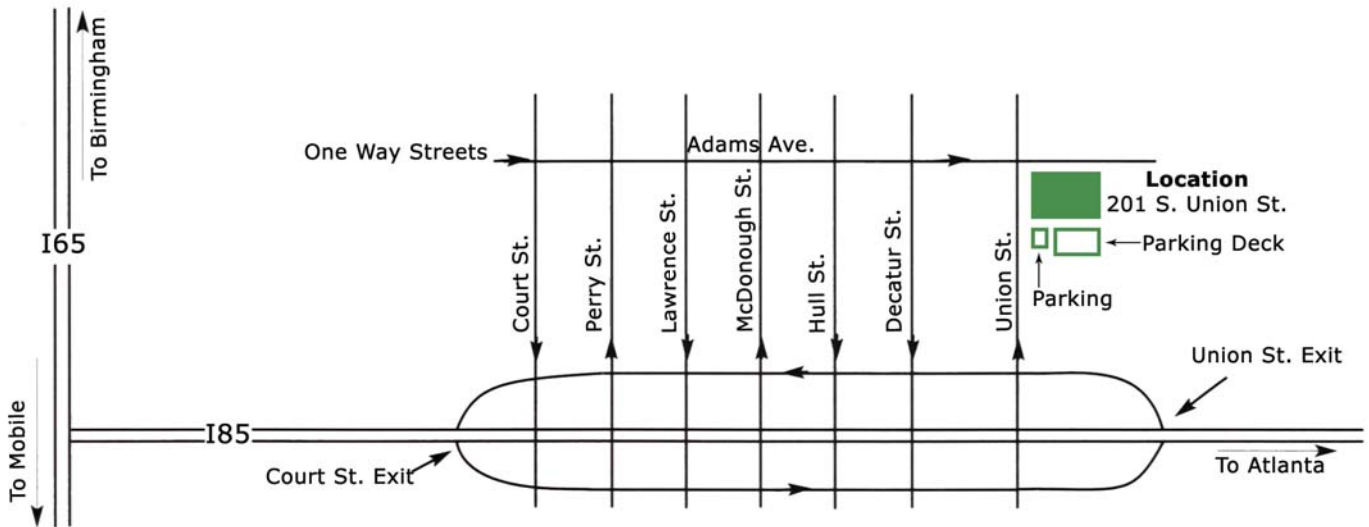
Follow I-85 South to downtown Montgomery and take the Union Street exit on the right. Take the first right on the service road onto Union Street. Continue on Union Street through two traffic lights. The RSA Headquarters is on the right side of Union Street before Adams Avenue. Members may park in the open lot in front of the parking deck.

From the South

Follow I-65 North to Montgomery. Approaching Montgomery, stay in the right-hand lane and exit onto I-85 North to Atlanta. Continue in the right-hand lane; then take the first exit, which is the Court Street exit. Stay on the service road until you reach Union Street. Turn left on Union Street. Continue on Union Street through two traffic lights. The RSA Headquarters is on the right side of Union Street before Adams Avenue. Members may park in the open lot in front of the parking deck.

From the North

Follow I-65 South into Montgomery. Take the I-85 North exit to the right to Atlanta. Stay in the right-hand lane and take the first exit on I-85, which is the Court Street exit. Stay on the service road until you reach Union Street. Turn left on Union Street. Continue on Union Street through two traffic lights. The RSA Headquarters is on the right side of Union Street before Adams Avenue. Members may park in the open lot in front of the parking deck.



Participation

Employee Eligibility

Any public official or employee of the state of Alabama or any political subdivision thereof is eligible to participate in the RSA-1 Deferred Compensation Plan, regardless of age or participation in the RSA. Participation in RSA-1 is strictly voluntary.

Employee Enrollment

You can enroll in RSA-1 at any time. Request an Enrollment Packet from RSA-1 or Field Services. Forms are also located on our Web site.

To participate in RSA-1, an employee must:

- ◆ Complete the MEMBER RECORD form, BENEFICIARY DESIGNATION form, and the INVESTMENT OPTION ELECTION form and submit the completed forms to the RSA-1 Deferred Compensation Plan office at the RSA to establish an account.
- ◆ Once an account is established, the employee initiates salary deferrals by filing an AUTHORIZATION TO DEFER COMPENSATION form with his or her payroll officer.
- ◆ You can only defer contributions to RSA-1 through payroll deductions. Do not send the AUTHORIZATION TO DEFER COMPENSATION form to RSA-1 or the RSA.

Easy to Make Deferrals

- ◆ Deferrals may be in any amount desired (for example, \$10, \$20, \$50, etc.) by the participant as long as the participant does not exceed the maximum deferral allowable.
- ◆ The amount of the participant's deferral may be increased, decreased or suspended as often as the participant wishes, subject only to employer payroll requirements.

- ◆ Statements will be mailed quarterly in January, April, July, and October. To request your balance, please call or email RSA-1 at rsa1info@rsa-al.gov.

Note: For your protection, balances are not given out over the phone or through email. Once the request is received, a balance letter is sent to the address on file.

Designation of Beneficiary

It is very important to maintain current beneficiary designations. Federal tax laws dictate certain requirements for distributions of your RSA-1 account to your beneficiary(s) after your death. If you have not recently reviewed your beneficiary(s) designations, please do so as you prepare to terminate employment or retire. Your contingent beneficiary will only receive the funds if the primary beneficiary predeceases the contingent beneficiary. If you need to change your beneficiary or if your primary beneficiary dies, contact RSA-1 for a BENEFICIARY DESIGNATION form or download it from our Web site.

Change of Address

Having your current home mailing address on file with RSA-1 is very important. Many important documents are mailed to each participant, including account statements. Please report any change of address to RSA-1 in writing only, either by letter or change of address form. The ADDRESS CHANGE NOTIFICATION form can be obtained from your payroll officer or downloaded from our Web site.

RSA-1 Statement

For those electing to participate in the RSA-1 Deferred Compensation Plan, a statement is sent to the member's mailing address quarterly. The statement verifies the balance and earnings for each investment option as of December 31, March 31, June 30, and September 30. Your designated beneficiary is also listed on the statement.

Deferring to RSA-1 Equals Tax Savings

The income you defer is paid into your RSA-1 account and invested for your benefit. Investment earnings are accumulated in the fund and like the deferred income, are not subject to federal or state of Alabama income taxation until distributed to you. Deferred income and the investment earnings are held in your account for your exclusive benefit and your beneficiaries.

Tax Savings

The following is an example of how participation in RSA-1 can help you reduce your current taxes:

Example:

- ◆ An employee earning \$1,000 biweekly
- ◆ Deferring \$100 into RSA-1 biweekly
- ◆ Filing as single with one withholding allowance

Contributing to RSA-1		Not Contributing to RSA-1	
Biweekly pay	\$1,000.00	Biweekly pay	\$1,000.00
RSA-1 Deferral	\$100.00	RSA-1 Deferral	\$0.00
5% Retirement Contribution	\$50.00	5% Retirement Contribution	\$50.00
Federal Tax*	\$77.31	Federal Tax*	\$92.31
State Tax*	\$32.00	State Tax*	\$36.00
FICA	<u>\$76.50</u>	FICA	<u>\$76.50</u>
<u>Take-Home Pay</u>	<u>\$664.19</u>	<u>Take-Home Pay</u>	<u>\$745.19</u>

*Based on the 2008 tax table.

In this example, deferring \$100 only decreases your take-home pay by \$81 while saving \$19 on taxes.

Effects of Saving

Effect of Saving Over a 25 Year Period*				Effect of Saving Over a 30 Year Period*			
Monthly Deferral Amount	Assumed Earnings Rate			Monthly Deferral Amount	Assumed Earnings Rate		
	6%	7%	8%		6%	7%	8%
\$25	17,324.85	20,251.79	23,775.66	\$25	25,112.88	30,499.27	37,258.99
\$50	34,649.70	40,503.58	47,551.32	\$50	50,225.75	60,998.55	74,517.97
\$100	69,299.40	81,007.17	95,102.64	\$100	100,451.50	121,997.10	149,035.94
\$200	138,598.79	162,014.34	190,205.28	\$200	200,903.01	243,994.20	298,071.89
\$400	277,197.58	324,028.68	380,410.56	\$400	401,806.02	487,988.40	596,143.78

*These examples are provided for illustration purposes only and do not guarantee that the fund will perform at this level in the future.

Power of Compounding

Many retirees frequently say their biggest regret is that they did not start saving earlier. By committing to a savings plan early, you can contribute less but save more.

How does this work?

This financial phenomena is known as the Power of Compounding. As the years pass, the money you invest in the RSA-1 Deferred Compensation Plan will continue to earn tax-free monies. By reinvesting these monies, additional funds are earned, continuing this cycle year after year.

The following example illustrates the power of compounding*:

Will started deferring \$50 monthly into his RSA-1 Deferred Compensation Plan account when he was 25 years old. At age 55, Will's account balance will be \$50,226.

Katherine started deferring \$50 monthly into her RSA-1 Deferred Compensation Plan account when she was 35 years old. At age 55, Katherine's account balance will be \$23,102.

** This example assumes a 6% rate of interest and is for illustrative purposes only. It is in no way indicative of the future performance of any of the investment options available through RSA-1.*

The Advantage of Beginning Early

The earlier you begin participating in RSA-1, the larger the difference in long-term accumulation. The chart below is an example based on a monthly contribution of \$100 earning an assumed interest rate of 7%, compounded monthly.

<i>Beg. Age</i>	<i>Value at Age 65</i>	<i>Tot. Amt. Contrib.</i>	<i>Cost of Waiting 1 Yr.</i>
25	\$264,012	\$48,000	
26	\$245,051	\$46,800	\$18,961
35	\$122,709	\$36,000	
36	\$113,274	\$34,800	\$ 9,435
45	\$ 52,397	\$24,000	
46	\$ 47,702	\$22,800	\$ 4,695

**This chart is for illustrative purposes only and should not be considered indicative of the future performance of any of the investment options available through RSA-1.*

Investing in RSA-1

Investment Options

Fixed Income and Stock Portfolios

RSA-1 funds are invested under the same authority and restrictions that govern investments made by the Teachers' and Employees' Retirement Systems. The RSA-1 Deferred Compensation Plan offers the option to invest in either fixed income investments, stocks, or a combination of both. The funds in both the RSA-1 fixed and stock investment option are not self-directed; rather they are invested as a pool. The RSA-1 fixed portfolio is invested in fixed income investments such as corporate bonds, U.S. agency obligations, government national mortgage association securities, and commercial paper. The stock portfolio is invested in an S&P 500 Index Fund, which invests in the stock of America's 500 largest companies.

Earnings or losses are posted to your account monthly and your accounts are valued monthly at market value. The RSA-1 staff can further explain these options to you, but cannot advise you regarding which particular option to elect. Statements are mailed quarterly in January, April, July, and October.

When it comes to risk and reward, stocks and bonds generally behave differently. When choosing between the stock and bond options, you should strive for an optimal blend of risk and reward - based on your age, years until retirement, and tolerance for risk. For instance, members approaching retirement might consider allocating more of their assets to bonds than to stocks because bonds tend to have a more predictable income stream than stocks. Generally, bonds offer a level of security that stocks do not. The trade-off is that bonds traditionally provide more modest rates of return over the long term than stocks.

Historically, stocks have provided the highest returns over time, but stock prices fluctuate - sometimes dramatically, as evident in recent performance. Most financial experts say that the younger you are, the more you should emphasize stocks. The longer your investment horizon, the more time you have to ride out the inevitable ups and downs in the stock market. In fact, over periods of 20 years or more,

stocks have historically provided positive returns.

New Participants

New participants must complete the INVESTMENT OPTION ELECTION form and submit it with your MEMBER RECORD and BENEFICIARY DESIGNATION forms to the RSA-1 office to open an account.

Existing Participants

Existing participants will be able to change their investment option every 365 days. The election will remain in effect until a subsequent eligible election is made, but it must remain in effect for 365 days. If you do not wish to change your investment option, the election will remain in effect until subsequently revoked. You may stop deferrals at any time, but the election will remain in effect if you subsequently resume deferrals.

Tax Information

You do not pay current federal or state income taxes on your investment earnings. RSA-1 deferrals and earnings are only subject to taxes when they are withdrawn from RSA-1.

Monthly Yields

Your earnings are based on market conditions. For monthly yields on investments, visit our Web site, or call RSA-1.

Deferral Limits

Annual Contribution Maximums

The maximum amount you may defer per year is 100% of your includable compensation reduced by other tax-deferred retirement contributions and pre-tax salary reductions, but not more than the following annual contribution maximums:

Annual Contribution Maximum

<i>Year</i>	<i>Under 50</i>	<i>50 and Over</i>
2008	\$15,500	\$20,500

There is no minimum amount you may defer. Deferrals to RSA-1 do not affect retirement benefits because retirement benefits are calculated on your gross salary.

Participation in Other Plans

If you are making deferrals to another Section 457 plan, the annual contribution maximum applies to all 457 plans. For example, if you are deferring \$9,000 in 2008 to RSA-1, you are limited to a total of \$6,500 (or \$11,500 age 50 and over) with any other 457 plan in that calendar year. If you are contributing to a 403(b) or a 401(k), the limits to those plans will not be affected by deferrals to the RSA-1 Deferred Compensation Plan.

Catch-up Deferrals

Catch-up Maximums

If you did not defer the maximum deferral amount in the years beginning with 1986 and were eligible to participate, you may “catch-up” unused eligible amounts for one to three years if you are within three years of normal retirement age and are eligible for an unreduced pension.

The following limits apply:

Year	Catch-up Maximum
2008	\$31,000

Normal Retirement Age

Normal retirement age is age 60 with at least 10 years of service credit or any age you may retire and receive immediate unreduced benefits under your pension plan (i.e., 25 or 30 years). This age may be earlier than 60 but not later than 70 ½. You may make catch-up deferrals during the three calendar years prior to the year of retirement or the three years prior to the year you become eligible to retire.

Catch-up Rules

The following rules apply to the catch-up provision:

- ◆ The catch-up provision cannot be used more than once, whether or not you utilize the maximum catch-up deferrals in all three of the catch-up years.
- ◆ The designated catch-up period cannot be changed once you begin catch-up deferrals.
- ◆ You do not have to retire on the date indicated; however, the catch-up period based on the date cannot be changed.

- ◆ You may **not** catch-up during the calendar year in which you actually retire.
- ◆ Catch-up deferrals must be payroll deducted.

RSA-1 must approve the CATCH-UP PROVISION ELECTION AND WORKSHEET **before** catch-up deferrals can be made. This form is available on our Web site, or by request from RSA-1.

Sick and Annual Leave Deferrals

If you are eligible to receive payment for sick and annual leave at termination of employment, you may defer up to the maximum limit in the year you terminate employment. For example, if you retire in 2008 and receive payment for sick and annual leave, you can defer up to the limit of \$15,500 (\$20,500 for age 50 and older) less any deferral you have already made to RSA-1 within that same calendar year.

If you have not made a deferral to RSA-1 in the calendar year of termination of employment, you may defer up to the full \$15,500 (\$20,500) for 2008. If you retire on January 1 of a year, you may defer up to the limit of the new calendar year. Deferring sick and annual leave payments to your RSA-1 account instead of receiving them in a lump-sum payment can save you 28% in taxes.

Distribution of Funds

Availability of Funds

Conditions for Withdrawal

RSA-1 is not a savings account from which you make periodic withdrawals. Rather, it is a retirement account that is available only after you have either retired or otherwise terminated employment.

You may not withdraw your account unless you meet one of the following conditions:

- ◆ Separation from service through retirement or termination from employment
- ◆ The attainment of age 70 ½
- ◆ Unforeseeable Emergency
- ◆ Cash-out provision for small account balances

RSA-1 funds cannot be assigned or alienated. Distribution must begin no later than April 1 of the calendar year following the calendar year in which you either attain age 70 ½ or retire, whichever is later.

Unforeseeable Emergency

An unforeseeable emergency is defined as follows:

- ◆ You and/or your dependent are faced with a severe hardship resulting from a sudden and unexpected illness or accident.
- ◆ You are faced with a severe hardship resulting from loss of property due to flood, fire, or windstorm.
- ◆ Other similar and extraordinary circumstances arising as a result of events beyond your control.

In case of withdrawals due to unforeseeable emergencies, payment may not be made if:

- ◆ The loss was protected by insurance.

- ◆ The loss can be satisfied by liquidation of the member's assets to the extent the liquidation of such assets would not in itself cause severe financial hardship.
- ◆ The loss can be satisfied by stopping payroll deductions to this plan.

In the event of emergency withdrawals described above, payments from your account can only be made to the extent reasonably necessary to satisfy the emergency.

Situations that may qualify as an unforeseeable emergency:

- ◆ Imminent foreclosure or eviction from one's primary residence
- ◆ Unreimbursed necessary medical expenses (excluding cosmetic procedures)
- ◆ Funeral expenses of a spouse, dependent, or beneficiary

Hardships that do not fall into the unforeseeable category described above do not qualify for withdrawal. Withdrawals will not be allowed for buying a home, college expenses or other similar purposes.

Providing the requested distribution qualifies as an emergency distribution, it can be taken at any time, whether or not you are in deferral status or distribution status.

After a distribution for an unforeseeable emergency, a participant must stop deferrals for a six month period.

If you think you qualify, complete the FINANCIAL HARDSHIP DISTRIBUTION REQUEST form located on our Web site or contact RSA-1 and request the form.

Cash-Out Provision

The Internal Revenue Service allows a cash-out provision if **ALL** the following conditions are met:

1. The account balance is \$5,000 or less.
2. There have been no deferrals into the account for 24 months prior to the cash-out distribution.
3. There have been no prior distributions other than hardship distributions.

Distribution Options

Distributions must be at least annually in frequency. No interest will be paid on the monthly interest posting date after the account has been distributed in full. There is no penalty for early distribution from a Section 457 plan.

At the time of separation from service, you have the following five distribution options:

Option 1: Receive a lump-sum payment consisting of the balance in the account. If you choose to receive distribution of your funds in a lump sum, the entire amount must be distributed to you no later than April 1 of the calendar year following the calendar year in which you either attain age 70 ½ or retire, whichever is later. The IRS requires RSA-1 to withhold 20% of the lump-sum distribution for federal income tax.

Option 2: Receive a partial distribution followed by equal monthly payments. If you choose to receive distribution of your funds in equal monthly payments, the distribution must begin no later than April 1 of the calendar year following the calendar year in which you either attain age 70 ½ or retire, whichever is later. Checks are mailed and electronic deposits are made the last business day of the month.

Option 3: Receive a partial distribution and leave the balance in your RSA-1 account until you have reached age 70 ½.

Option 4: Receive a monthly disbursement, provided the monthly distributions comply with the limits imposed by Section 457 of the Internal Revenue Code.

Option 5: Delay distribution of funds until a future date at which time any one of the above options may be chosen. Current IRS regulations require that distributions begin no later than April 1 of the calendar year following the calendar year in which the employee attains age 70 ½ or retires, whichever is later.

Distribution Dates

Lump-Sum Payment

If you choose to receive distribution of your funds in a lump-sum, the entire amount must be distributed to you no later than April 1 of the calendar year following the calendar year in which you either attain age 70 ½ or retire, whichever is later.

For example, if you reach age 70 ½ in 2007 and are retired, the deadline to receive the lump-sum payment is April 1, 2008. If you are age 70 ½ or older and still employed with an eligible agency, distribution begins immediately at retirement. The IRS requires RSA-1 to withhold 20% of the lump-sum distribution for federal income tax.

Equal Monthly Payments

If you choose to receive distribution of your funds in equal monthly payments, the distribution must begin no later than April 1 of the calendar year following the calendar year in which you either attain age 70 ½ or retire, whichever is later. Checks are mailed and electronic deposits are made the last business day of the month.

These payments continue either:

- ◆ Over your life,
- ◆ Over your life and the life of your designated beneficiary, or
- ◆ Over a definite period (for example, five years) not extending beyond your life expectancy or your life expectancy and the life expectancy of your designated beneficiary, or
- ◆ In a specified dollar amount provided the amount is equal to or greater than the minimum required by the Internal Revenue Code.

Delayed Payments

If you wait to begin distribution until the calendar year following the calendar year in which you attain age 70 ½ (but no later than April 1 of that year), the required distribution for two years must be paid that same calendar year:

- ◆ One distribution by April 1 for the 70 ½ year, and
- ◆ One distribution by December 31 for the year following the 70 ½ year.

Beneficiary Payments

- ◆ If distribution begins **before** your death, any amount not distributed to you during your life will be distributed after your death to your beneficiary(s) in accordance with the requirements of the Internal Revenue Code and Regulations governing distributions.
- ◆ If distribution begins **after** your death, the distribution of the entire account must be made within 5 years of your death.

Except:

- ◆ If the spouse is the beneficiary and the benefit commencement date is no later than December 31 of the calendar year you would have been 70 ½, the entire amount payable must be paid during a period not to exceed the life expectancy of the surviving spouse.
- ◆ If a non-spouse is the beneficiary, the benefit commencement date must be no later than December 31 of the calendar year following the year of your death and the entire amount payable with respect to you must be paid during a period not to exceed the beneficiary's single life expectancy in the year after your death.
- ◆ If the estate or a trust has been named as beneficiary, the distribution must be paid within five years after your death. The trust may be permitted to be revocable while you are alive, provided that it becomes irrevocable by its terms upon your death.

Distribution Forms

Contact RSA-1 to request distribution forms.

Transfers and Rollovers

Transfers to Purchase Permissive Service Credit

You may use your RSA-1 funds to purchase permissive service credit with a governmental defined benefit plan such as ERS and TRS. If you wish to purchase permissive service credit with the ERS or TRS, please contact the ERS or the TRS at (800) 214-2158 for information on how to make this purchase. You must complete the IN-SERVICE TRANSFER form to purchase permissive service credit. This form is located on our Web site.

Transfers to Other Plans

RSA-1 allows transfers to other plans. Once you are eligible for distributions, you may roll over your RSA-1 funds to a Section 401(k), 403(b), 457 plan or a Traditional IRA.

RSA-1 allows transfers to other eligible 457 plans while you are still in service.

457 Transfers to RSA-1

RSA-1 accepts trustee-to-trustee transfers from other Section 457 plans. An RSA-1 account must be established prior to the transfer. Funds transferred from other Section 457 accounts must never have been from any source other than 457(b).

To transfer these funds:

- ◆ Complete the 457 TRANSFER TO RSA-1 form and the INVESTMENT OPTION ELECTION FOR 457 TRANSFERS form.
- ◆ The Trustee of the previous 457 plan must complete and sign Part II of the 457 TRANSFER TO RSA-1 form.
- ◆ Send the completed forms to RSA-1.

DROP Rollovers to RSA-1

RSA-1 accepts rollovers from your RSA DROP account once you have terminated employment.

- ◆ You must establish an account prior to the rollover.
- ◆ If you are not a member of RSA-1, complete the RSA-1 MEMBER RECORD form and the INVESTMENT OPTION ELECTION FOR DROP ROLLOVERS form. You may find forms by accessing our Web site or contacting RSA-1 or your payroll officer.
- ◆ Complete these forms, have them notarized and return them to RSA-1 prior to terminating employment.
- ◆ If you are already a member of RSA-1, complete the INVESTMENT OPTION ELECTION FOR DROP ROLLOVERS form and return it to RSA-1 prior to termination of employment.

For information about your DROP distribution, read the ERS or TRS DROP Distribution brochure on our Web site or request it from either the ERS or TRS.

Tax Information

Distributions of amounts previously deferred as well as interest earned are subject to federal income tax withholding. Amounts deferred after January 1, 1997, as well as any interest earned, will be subject to state of Alabama income tax upon distribution.

Withholding

At the time you apply for RSA-1 benefits, you will complete a form W-4P and A-4 Withholding Certificate. You may submit a new form W-4P or A-4 Withholding Certificate at any time. Distributions are subject to the withholding rules applicable to qualified plans. For lump-sum payments, federal regulations require a flat 20% withholding (this will also apply to withdrawals for unforeseeable emergencies). For periodic payments, withholding will be based on your marital status and the number of withholding allowances claimed. If a Withholding Certificate is not filed, withholding will be based on single filing status with no allowances.

Distribution

Deferred income and investment earnings distributed from RSA-1 will be taxed to you or your beneficiary as ordinary income in the year of distribution. RSA-1 payments to you and your beneficiaries are reported on a form 1099R in the year of distribution. There is no penalty for early distribution from a Section 457 Deferred Compensation Plan such as RSA-1 regardless of your age at the time of distribution.

For amounts deferred in 1996 and prior years the principal and interest are subject to federal income tax upon distribution, while only interest is subject to state of Alabama income tax upon distribution.

For amounts deferred in 1997 and years thereafter, the principal and interest are subject to federal and state of Alabama income tax upon distribution.

Notes

Notes



RSA-1 Deferred Compensation Plan
P.O. Box 302150
Montgomery, Alabama 36130-2150